

Message Text

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PAGE 01 EC BRU 05354 01 OF 02 261358Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
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P R 261300Z MAY 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC PRIORITY 3896
INFO USMISSION OECD PARIS
AMEMBASSY TOKYO
MTN DEL GENEVA 7696

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 5354

E.O. 11652: N/A
TAGS: ETRD, OECD, EEC, JA
SUBJECT: OECD AD HOC GROUP ON STEEL

1. SUMMARY: US TRADE COMMITTEE DELS MET WITH JAPANESE
OFFICIALS MAY 24 IN PARIS AND EC OFFICIALS MAY 25 IN
BRUSSELS REGARDING WORK PROGRAM OF OECD AD HOC GROUP ON
STEEL. JAPANESE HEARD OUR VIEWS WITHOUT SUBSTANTIVE
COMMENT EXCEPT TO REITERATE THEIR POSITION THAT DISCUSSION
SHOULD BE FACTUAL AND NOT GET INTO GOVERNMENTAL POLICIES.
EC AND US, HOWEVER, AGREED AD REFERENDUM ON STATEMENT
FOR GROUPS WORK WHICH EACH WOULD SEPARATELY
PROPOSE TO JAPANESE ALONG WITH SUGGESTION FOR A TRILATERAL
MEETING SHORTLY AFTER OECD SECRETARIAT STUDY IS AVAILABLE.
END SUMMARY.

2. US OECD TRADE COMMITTEE DELS (FEKETEKUTY AND BARRACLOUGH)
MET WITH JAPANESE OFFICIALS KAYA OF MFA AND TAKAHASHI OF
MITI TO PRESENT US VIEWS ON WHAT OECD AD HOC GROUP
ON STEEL SHOULD DO. KAYA MADE CLEAR THAT HE HAD NO
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PAGE 02 EC BRU 05354 01 OF 02 261358Z

INSTRUCTIONS BEYOND HEARING US VIEWS AND A JAPANESE
RESPONSE WOULD HAVE TO WAIT FURTHER CONSIDERATION IN
TOKYO. TO ENSURE OUR VIEWS WERE CLEARLY UNDERSTOOD
WE LEFT A NON-PAPER WITH JAPANESE, TEXT OF WHICH IS
IN PARA THREE BELOW. ONLY SUBSTANTIVE JAPANESE COMMENT
WAS THAT THEY WANTED TO HAVE SECRETARIAT STUDY AND ANY
DISCUSSION IN THE AD HOC GROUP LIMITED TO A FACTUAL

ANALYSIS. SUCH A FACTUAL DISCUSSION WOULD COVER QUESTIONS OF GLOBAL TRENDS IN INVESTMENT, PRODUCTION, TRADE VOLUMES, CAPACITY, AND PRICE EVOLUTION. IT SHOULD NOT, HOWEVER, GET INTO AREAS OF GOVERNMENTAL OR COMMERCIAL POLICIES. THEY MADE CLEAR THAT PRICE EVOLUTION MEANT GLOBAL TRENDS IN PRICES AND NOT QUESTIONS OF PRICE FORMULATION.

3. US NON-PAPER. BEGIN TEXT: JAPAN HAS ASKED FOR GREATER CLARITY AS TO WHAT AN OECD STEEL GROUP WOULD DO. IN RESPONSE, WE WISH TO STATE THAT THE U.S. HAS NO PRECONCEIVED IDEAS ABOUT WHAT THE OUTCOME OF SUCH TALKS SHOULD BE. HOWEVER, WE WISH TO ASSURE THE GOVERNMENT OF JAPAN THAT IT IS NOT OUR INTENTION TO USE SUCH DISCUSSIONS IN AN ACCUSATORY MANNER REGARDING THE PRACTICES OF OTHER COUNTRIES. AND WE DO NOT INTEND TO CONVERT THE GROUP INTO A FORUM FOR THE NEGOTIATION OF "MARKET SHARING" OR OTHER TRADE RESTRICTIVE AGREEMENTS ON STEEL.

IT IS HOWEVER IMPORTANT FOR US THAT THESE DISCUSSIONS TAKE PLACE AT AN EARLY DATE, AND THAT THEY TAKE PLACE IN A FRAMEWORK WHERE EVERY PARTICIPANT HAS THE OPPORTUNITY TO RAISE ANY PROBLEMS THAT ARE OF CONCERN TO THEM. THE GOJ IS NO DOUBT AWARE THAT THE U.S.G. HAS COME UNDER INCREASING PRESSURE TO DEAL WITH PROBLEMS OF CONCERN TO THE U.S. STEEL INDUSTRY. THUS A MULTILATERAL DISCUSSION OF STEEL WHICH DOES NOT TOUCH THOSE CONCERNS WOULD NOT BE HELPFUL TO THE U.S.G.

WE SUGGEST THAT THE INITIAL DISCUSSIONS BEGIN WITH A LIMITED OFFICIAL USE

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PAGE 03 EC BRU 05354 01 OF 02 261358Z

REVIEW OF THE SECRETARIAT'S FACTUAL STUDY WITH THE PURPOSE OF SEEING WHICH ISSUES OF COMMON CONCERN EMERGE FROM THE STUDY AND OUR DISCUSSIONS. WE COULD THEN CONTEMPLATE WHICH ISSUES MIGHT NEED FURTHER STUDY BY THE SECRETARIAT AND IN WHAT ORDER THESE MIGHT BE PURSUED.

WE WOULD, OF COURSE, INTEND TO REMAIN IN CLOSE BILATERAL CONTACT ON THIS.

IF JAPAN IS PREPARED TO PROCEED IN THIS MANNER, WE CAN AVOID THE POSSIBILITY OF A CONTENTIOUS DEBATE OVER "TERMS OF REFERENCE" AND KEEP THE DISCUSSIONS INFORMAL AND FLEXIBLE.

WE SUGGEST THAT WE BOTH INFORM THE OECD SECRETARY GENERAL THAT WE ARE PREPARED TO PROCEED WITH A MEETING OF AN AD HOC GROUP TO REVIEW THE SITUATION IN WORLD STEEL. THE FIRST MEETING OF THE GROUP SHOULD NOT TAKE PLACE UNTIL GOVERNMENTS HAVE HAD TIME TO EXAMINE THE SECRETARIAT'S FACTUAL STUDY. HOWEVER, A MEETING SHOULD TAKE PLACE ABOUT MID-JUNE. END QUOTE.

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PAGE 01 EC BRU 05354 02 OF 02 261435Z
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LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 5354

4. WE INDICATED TO JAPANESE THAT WE WERE PREPARED TO
CONSIDER A STATEMENT ON THE AD HOC GROUP'S WORK WHICH
ENCOMPASSED THE INTERESTS OF ALL PARTIES, BUT WE THOUGHT
WORKING THIS OUT WOULD BE NEAR TO IMPOSSIBLE, LENGTHY AND
CERTAINLY CONTENTIOUS. WE ALSO SUGGESTED A POSSIBILITY
WHEREBY THE SECRETARY GENERAL COULD MAKE A GENERAL STATEMENT
ABOUT THE PURPOSE OF THE GROUP AND ADD TO IT SPECIFIC
AREAS OF INVESTIGATION SUGGESTED TO HIM BY SPECIFIC INTERESTED
OECD COUNTRIES. WE MADE CLEAR, HOWEVER, THAT WHAT
WE WOULD NOT ACCEPT WAS EXCLUSION AT THE OUTSET OF ISSUES OF
INTEREST TO US. JAPANESE SIDE DID NOT RESPOND TO THESE
SUGGESTIONS EXCEPT TO SAY THEY APPRECIATED OUR DESIRE TO
KEEP THE GROUP'S DISCUSSIONS NON-CONFRONTATIONAL AND

UNDERSTOOD OUR WISH NOT TO EXCEED THOSE OF INTEREST TO
THE UNITED STATES.

5. US-EC DISCUSSIONS THE FOLLOWING DAY WERE MORE PRODUCTIVE.
WE GAVE EC SIDE (LOEFF, LOERKE, FIELDING) THE NON-PAPER
GIVEN TO THE JAPANESE AND INFORMED THEM OF THE JAPANESE
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PAGE 02 EC BRU 05354 02 OF 02 261435Z

NON-REACTION. LOEFF SAID THE EC'S PREFERENCE WAS TO BEGIN THE EXERCISE BY LOOKING AT THE LONG-TERM SUPPLY/ DEMAND SITUATION. EC FEARS THAT OTHERWISE THE DISCUSSIONS WILL QUICKLY GET BOGGED DOWN IN AN ACRIMONIOUS, UNCRONTROLLABLE DEBATE OVER COMMERCIAL PRACTICES. THEY NOTED THAT COMMISSION WAS UNDER PRESSURE FROM ONE MEMBER STATE IN PARTICULAR TO HAVE EXPLICIT, WELL-DEFINED TERMS OF REFERENCE FOR THE GROUP. THEY APPRECIATE THAT THIS WOULD JUST LEAD TO LENGTHY, CONTANTIOUS DEBATE SO THOUGHT IT BEST WE BEGIN WITH THE AREA WHERE IT WOULD BE EASIER FOR US-EC-JAPAN TO AGREE. WE COUNTERED BY EXPRESSING CONCERN THAT THE GROUP WOULD HAVE DIFFICULTY GETTING BEYOND THIS INITIAL ISSUE WHICH DID NOT MEET EITHER OUR PRESENTATIONAL OR SUBSTANTIVE NEEDS. IN THE END US-EC AGREED TO REVERT TO FIRST PART OF INITIAL US SUGGESTED TERMS OF REFERENCE WHICH MAKE CLEAR THAT GROUP'S WORK IS TO BE CONCERNED WITH WHOLE RANGE OF WORLD STEEL PROBELMS BUT WOULD BEGIN TO WORK BY A REVIEW OF THE SECRETARIAT'S FACTUAL STUDY.

6. US AND EC THEN AGREED AD REFERENDUM ON FOLLOWING TEXT. THE EFFECTS OF WORLD-WIDE RECESSION AND SLUGGISH ECONOMIC RECOVERY HAVE BEEN FELT WITH PARTICULAR SEVERITY IN THE STEEL INDSTUTRY. LOW CAPACITY UTILIZATION RATES, DOWNWARD PRESSURE ON PRICES AND GROWING UNEMPLOYMENT IN THE STEEL SECTOR OF MANY MEMBER COUNTRIES HAVE POTENTIALLY FAR REACHING EFFECTS ON DOMESTIC ECONOMIES AND WORLD TRADE. STEEL IS BASIC TO THE WORLD ECONOMY. IN ANALYZING THE INDUSTRY SITUATION AND SEEKING SOLUTIONS, THE EXISTENCE KOF IMPORTANT MULTILATERAL ASPECTS MUST BE KEPT IN MIND. WE BELIEVE THE OECD COUNTRIES WOULD GREATLY BENEFIT FROM A COMMON UNDERSTANDING OF WORLD STEEL PROBLEMS. TO THIS END THE AGREED AD HOC WORKING GROUP WILL TAKE AS ITS FIRST TASK THE REVIEW OF THE SECRETARIAT'S FACTUAL STUDY OF THE WORLD STEEL SITUATION. END TEXT.

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PAGE 03 EC BRU 05354 02 OF 02 261435Z

7. WE AGREED WITH THE EC THAT FOLLOWING CONFIRMATION BY EACH SIDE THAT ABOVE TEXT IS ACCEPTABLE, EACH WOULD APPROACH THE JAPANESE TO SEEK THEIR AGREEMENT. WE WOULD PROPOSE A TRILATERAL MEETING TO TAKE PLACE SHORTLY (ONE OR TWO WEEKS) AFTER RECEIPT OF THE SECRETARIAT'S STUDY. THE FIRST MEETING OF THE AD HOC GROUP WOULD THEN TAKE PLACE ABOUT END OF JUNE. FURHTER TRILATERAL MEETINGS WOULD TAKE PLACE AS NEEDED TO TAKE CARE OF PORBLEMS BETWEEN EC, JAPAN, AND US AS THE ISSUES ARISE OUT OF FUTURE SECRETARIAT WORK AND THE AD HOC GROUP'S DISCUSSIONS. IT WAS CLEARLY UNDERSTOOD THAT AN INITIAL TRILATERAL MEETING WOULD NOT SERVE AS AN EXCUSE TO DELAY

THE FIRST MEETING OF THE AD HOC GROUP AND THAT THE AD HOC GROUP WOULD HAVE TO HOLD A SERIES OF MEETINGS.

8. FOR MISSION OECD: SUGGEST YOU INFORM SECRETARIAT THAT WE ARE NOW ENGAGED WITH EC AND JAPAN IN EFFORT WORK OUT WHAT THE AD HOC GROUP IS TO DO AND WOULD APPRECIATE THE SECRETARIAT NOT GOING AHEAD WITH CONSULTATIONS WITH OTHER DELEGATIONS UNTIL THE RESULTS OF THESE EFFORTS ARE KNOWN.

9. FOR EMBASSY TOKYO: WE SUGGEST YOU TAKE NO FUTHER ACTION UNTIL YOU RECEIVE SPECIFIC INSTRUCTIONS.HINTON

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